

750

MEMORANDUM

To: File No. S7-06-04

From: Tara L. Royal

Date: March 25, 2004

Subject: Comments of Walt Savage on the Market Reg. Confirm Release

Attached are the comments of Walt Savage of the Savage Group on the rule proposal entitled, "Confirmation Requirements and Point of Sale Disclosure Requirements for Transactions in Certain Mutual Funds and Other Securities, and Other Confirmation Requirement Amendments, and Amendments to the Registration Form for Mutual Funds."

Securities Exchange Commission
 William H. Donaldson, Chairman
 Attn: Patrick VonBargen, Managing Executive for Policy and Staff

December 3, 2003

The following have been informed of the Mutual Fund industry practice of double charging on sales charges of Class A (front loaded) Mutual Fund shares:

[REDACTED]
 Office of Economic Analysis
 [REDACTED]

[REDACTED] Senior Attorney
 Division of Investment Management
 [REDACTED]

[REDACTED] Staff Attorney
 Office of Investor Education and Assistance
 [REDACTED]

This issue has, over the years, cost millions of investors countless millions of dollars. The double charging takes place when the load and 'offering price' of these shares is calculated, or miscalculated in this case. In general, load 'should' be calculated as a percentage of the Net Asset Value. 'Offering price' is generally the Net Asset Value plus the load. What we are seeing in the industry is not this mathematically correct and balanced path from Net Asset Value through to Offering Price. Instead what we are seeing is, to quote from a current Morgan Stanley prospectus, "The offering price of Class A shares includes a sales charge expressed as a percentage of the offering price on a single transaction". Note that offering price already includes the miscalculated load. They are using an already loaded figure to calculate an additional load.

What is happening is that the industry is using the wrong formula in their calculations. For example, when an investor buys Class A shares, he goes to his broker and says he wants to invest, say, \$1000 in some fund. Some of that \$1000 will be load, and the remainder will purchase shares. Assuming 10% load and \$100 share value....currently the fund will calculate the load using the entire amount invested (by multiplying \$1000 by .10). He will pay a \$100 load and the remaining \$900 will buy him nine shares.

What SHOULD be happening is this. The fund should DIVIDE the \$1000 by 1.10. This returns the amount available to purchase shares. They should then

calculate their load on this value. The amount actually available to purchase shares should be \$909.0909. The actual load should be \$90.9091. This results in the investor receiving .0909 MORE shares than under the current miscalculation. This would not only resolve the .0909 share shortage to the investor, but would also correct the overstated average share price which is seen under the current system.

In a New York Times News-Service article run in the San Diego Union-Tribune on November 19, 2003 Allan Greenspan was reported to have stated in a letter to Senator Richard Shelby: "any new disclosure requirements for the funds "should be designed to provide investors with real value rather than serve mainly to increase costs and decrease returns". "

The issue I address would seem to be a perfect example of the type of 'creative interpretation' based on rebuttable presumption to which Mr. Greenspan referred. The Securities Exchange Commission has not specifically delineated how the calculations of load are to be made. It would appear that, although we probably do not need a change in the law, we most certainly need a clear edict on how load is calculated....one that truly reflects the Commissions mission as a watchdog for the investors.

I have attached a comparative analysis reflecting how this issue works on a graphic level using an actual transaction. If you have any questions or wish to discuss this at **any** level, please feel free to contact me.

F. Walter Savage
5060 Orcutt Avenue
San Diego, CA 92120
619-582-5850

Enclosures

NAV 10-13-03 26.88 - "NOT ON CONFIRMATION STATEMENT"

PURCHASE THE FND. SMC FACTS - LOAD 5.75% LOAD ON TOTAL COST

"A-SHARC
Cooperative Development of Salt

SAVAGE
GROUP

F. Walter Sav,
Chief Executive Office
Formerly IRS 1049-1988

5080, Orca Avenue
San Diego CA 92120 619-592-5850 FAX 619-592-5850

THE MEDICAL

Total Sale Price (loss)	7655.10
-------------------------	---------

70	- Paid
71	Toad

①	LOW OVER STATED 23.73	MAF 20
✓	SAB'S COST OVERS MAF 4 (DEPT FAS 5)	
✓	1 INQUIRY C&O	RELOCATED

2. St. Peter (St.)

ADJ ST. TO SHIP, SH. MACH.	FROM ADJ TO L	23	8915
LOAD POUND	SHS. UP		
	SH PANE: DOWN	28021	

► MUTUAL

CONTINUED FROM PAGE C1

SEC chief admits that problems were overlooked

before next year. Some lawmakers have filed bills, but Sen. Richard Shelby, R-Ala., who heads the Senate banking committee, has said he is not convinced of the need for new laws.

In a letter to Shelby and his counterpart in the House, Treasury Secretary John W. Snow and Alan Greenspan, the chairman of the Federal Reserve, urged Congress to ensure that mutual fund fees are "fully subject to the competitive tests of the marketplace." They also said that any new disclosure requirements for the funds "should be designed to provide investors with real value rather than serve mainly to increase costs and decrease returns."

Donaldson said that on Dec. 3, the commission would consider a proposal by its staff to end late trading by setting what he called a "hard 4 o'clock cut-off," after which any purchase or sale orders would be priced the next day. And the commission probably will adopt a measure requiring mutual funds to spell out their policies on certain kinds of quick trading, or market timing, and strong com-

NAY 10-13-03: 26.88

PURCHASE OF FUND SHS FROM LOAD 5.75% LOAD ON TOTAL COST

A'SHARS Can't get any more shares to form up substance

ASV REP SUBSTANTION SEC INTERPRETATION SUBSTANCE

PROB IS ROAD

Total Sale Price (Cost) 7655.00

Price 10 94.25%

Load 5.75%

PRINCIPAL ADJ 7214.84

LOAD PRINC. 6.1%

LOAD OVER STATED 23.93

SHS SEC OVER STATED (BASED ON WORKING CAP REQUIRED)

SM PRICE (X Cost 7655 + 2688.408) 2892

ADJUST TO SHS IN PRICE (SHS Price 7214.84 - 2688.408)

FROM ADJ TO LOAD 23.93

LOAD DOWN 99.15

SHS: UP SH PRICE: DOWN 25.02%



F. Waller Savage
Financial Transaction Analyst / Consultant
Formerly IRS 1942-1988

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Economic Reality - To the Market

Division of Funds 2655

100% 94.25% 94.5625%

5.75% 108.75

57.54 57.54 57.54

723.87 723.87 723.87

16.16 16.16 16.16

7655.00 7655.00 7655.00

10-13-03

SHS: NAY 2688 723.87 2688.408

ADJ PRICE 2688.408 7655.00 2892

ADJ PRICE 2688.408 7655.00 2892

ADJ PRICE 2688.408 7655.00 2892

ADJ PRICE 2688.408 7655.00 2892

If this changes it
will be major in the
industry.

15 PURCHASE OF FND SHS FRONT LOAD 5.75% L
A'SHARES Comparative

		SECTION	
		No	
1			
2			
3			
4		TOTAL SALE PRICE	
5		DIVISION	
6			
7			
8	of Prime	(%) 94.25%	
9	Load	(%) 5.75%	
10			
11			
12			
13	\$ PRINCIPAL ADJ.		
14	Load Alloc.	Load on Load 61%	
15		Load	
16	① LOAD OVERSTATED NOT SHOWN LUMP		
17	INTO COST; THIS PRICE INFLATED B		
18			
19			
20	② SH. PRICE (SH. COST 7654 = 268.408		
21	(SHE PRICE 721484 = 268.408		
22	PAY 2688 = 268.408		
23	ADJST. TO SH. PRICE		
24	FROM ADJ. TO LOAD		
25	LOAD DOWN ON	23.934	Load on L
26	SHS - UP	8915 SH	
27	SH PRICE DOWN	28021 2813	ADJ
28			
29			
30			

NAV 10-13-03; 26.88; NO

ON TOTAL COST

GRAND TOTAL VS SUBSTANCE

PITATION SUBSTANCE

TO THE MARKET

1655.00
COST SEC

ECONOMIC REALITY TO THE MARKET

DIVISION OF FUNDS

100 } 10575
5.75% } 94.5627%
54.373%
100% = 7655.00
2655.00 (269.281515)

21484 ← 13.97 → 7238.77
44016 ← 13.97 → 41623
1653 ← 13.97 → 7655.00
No Load On Load

100% 100%

2052
SUBSTANCE 2688 ÷ 7238.77 = 269.281515
ORIG PRICE 268.408 ÷ 7655.00 = 28.52
ADJ PRICE 269.281515 ÷ 7655.00 = 28.73

28.73
268.408 ÷ 7655.00 = 28.73
269.281515 ÷ 7655.00 = 28.73

23.92 ÷ 100 = 23.92%
23.92% DIFF = ROUNDING

3 ADJ = 3.246 ÷ 1000.00
CONFORM STATEMENT



SAVAGE Pg 2
GROUP 11-18-03

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Chief Executive Offc
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229-2158

CONTINUED FROM PAGE C1

SEC chief admits that problems were overlooked

Banking, Housing and Urban Affairs. "A significant reason is because the industry lost sight of certain fundamental principles — including its responsibilities to the millions of people who entrusted their confidence, the fruits of their labor, their hopes and dreams for the future to this industry for safekeeping."

Donaldson also acknowledged the commission had failed to find problems early enough. None of the current cases against a dozen mutual fund firms came about as a result of inspections by the SEC.

Officials say the inspectors were never assigned to look for abusive trading practices like those that have been revealed, although a recent industry survey by the commission found that such practices might be pervasive.

While Baker pushes his bill in the House, the Senate is not expected to take up a measure before next year. Some lawmakers have filed bills, but Sen. Richard Shelby, R-Ala., who heads the Senate banking committee, has said he is not convinced of the need for new laws.

In a letter to Shelby and his counterpart in the House, Treasury Secretary John W. Snow and Alan Greenspan, the chairman of the Federal Reserve, urged Congress to ensure that mutual fund fees are "fully subject to the competitive tests of the marketplace." They also said that any new disclosure requirements for the funds should be designed to provide investors with real value rather than serve mainly to increase costs and decrease returns.

Donaldson said that on Dec. 3, the commission would consider a proposal by its staff to end late trading by setting what is called a "hard 4 o'clock cut-off" after which any purchase or sale orders would be priced the next day. And the commission probably will adopt a measure requiring mutual funds to spell out their policies on certain kinds of quick trading, or market timing, and strong com-

chief compliance officer, for the funds, he said.

In the Senate, lawmakers questioned Donaldson about how the commission had missed the problems in the industry and had been overshadowed by state regulators. He acknowledged the agency's shortcomings while defending it against criticism from state officials.

Democrats and Republicans on the committee asked Donaldson whether the agency had sufficient resources and expertise to find and fix market problems. He replied that the commission was preparing to open a unit to anticipate new areas of market problems.

"Clearly, we can improve the effectiveness of the way we go about doing things," he said. "We did not inspect for late trading and market timing. Nor has the commission inspected for that for many years."

as a surprise to us."

Donaldson tried to deflect criticism from state officials, such as New York Attorney General Eliot Spitzer and William F. Galvin, secretary of the commonwealth of Massachusetts, that the commission has been too quick to settle complaints of wrongdoing.

Sen. Christopher Dodd, D-Conn., pressed Donaldson about the relationship between the SEC and state regulators.

"We can't have you and Mr. Spitzer and the guy in Massachusetts screaming at each other in a public forum every day," Dodd said. "What are we going to do about that? How are you going to solve that? Let's get right to it. What are you going to do?"

"We're doing everything in our power to work with state regulators and that includes all of them," Donaldson said. "Unfortunately, we can't control

The extent of this has come as a surprise to us."

WILLIAM H. DONALDSON

what certain state regulators decide they want to say publicly. I believe that it's very counterproductive."

In a brief telephone interview after the hearing, Spitzer said that he had criticized the recent settlement between Putnam and the commission "because it was not a deal that I substantively agreed with."

"We are on the same team and working together," he said. "But the lack of us being on the same page resulted from the fact that we were not consulted prior to the settlement. This was not the paradigm of the way things should work."

I thought you might be interested
I had the IRS Media (Radio
News papers (Chico & Regina) TV
& partied in the mid 50's
mgt wanted copies all
coverage sent to the top.
some time the clipping service
misled.

Hard to break old habits

This is the
stuff you have
used it well smart

Regards,
W. H. D.

Since going heavily blind a couple yrs ago my word
is bit sloppy



American Funds™

PO Box 25067
Santa Ana CA 92799-5067

Year-End Statement

Page 1 of 2

January 1 - December 31, 2002

DEC 04 2003
SECURITIES & EXCHANGE COMMISSION
OFFICE OF INVESTOR
EDUCATION & ASSISTANCE

THIRTEEN MILLIONS
OF THESE AT ALL
DIFFERENT RATES

SAMPLE #
Load over 625
Share short 625 - Working Capital
Full Acct'g history ordered out

11-12-03

Best wishes for the New Year

This statement shows all account activity for 2002, so please keep it for your tax records. Let our website help make this tax season a little easier. Go to the Tax Center at americanfunds.com for your tax-related needs: seven years of account history, duplicate statements and tax forms, average cost information, our interactive Tax Guide, and more.

For more account information

- Call your financial adviser
- Automated information and services
Website - americanfunds.com
American FundsLine® - 800/325-3590
- Personal assistance - 8 a.m. - 8 p.m. Eastern time M-F
Shareholder Services - 800/421-0180

Summary

	Fund number	Account number	Type of fund	Shares held as of 12/31	Share price as of 12/31	Account value as of 12/31
Fundamental Investors-A	10	[REDACTED]	growth & income	622.548	\$22.23	\$13,839.11

Year-to-date dividends and capital gains

	Fund number	Account number	Dividends	Short-term capital gains	Long-term capital gain
Fundamental Investors-A	10	[REDACTED]	\$297.40	\$0.00	\$0.00

American Funds is required to provide the value of your IRA to the Internal Revenue Service.

Transactions

Fundamental Investors - Class A

Fund number 10

Account number 63142769

Dividends and capital gains reinvested

Trade date	Description	Dollar amount	Share price	Shares this transaction	Share balance
01/01/02	Beginning share balance				542.081
02/22/02	Income Dividend 0.10	\$54.21	\$26.38	2.055	544.13
04/11/02	2001 Contribution	\$2,000.00	\$29.17	68.564	612.69
05/15/02	Income Dividend 0.10	\$61.27	\$27.62	2.218	614.91
08/16/02	Income Dividend 0.10	\$61.49	\$23.31	2.638	617.55
12/13/02	Income Dividend 0.10	\$61.76	\$22.14	2.790	620.34
12/13/02	Special Dividend 0.095	\$58.67	\$22.14	2.650	622.99
12/20/02	2003 Annual Fee	-\$10.00	\$22.38	-0.447	622.54
12/31/02	Ending share balance				622.54

Include Non 102

Sample

Chop

FAY

248

281

10-30-03

Pen Cost

1885

1885

115 - 625

0.1000

The Securities Lawyer's Deskbook

S.E.O.

Regulatory History

Search Page

Suggestions

Main Table of Contents

**General Rules and Regulations
promulgated
under the
Securities Exchange Act of 1934**

Rule 10b-10 - Confirmation of Transactions

Preliminary Note.

This section requires broker-dealers to disclose specified information in writing to customers at or before completion of a transaction. The requirements under this section that particular information be disclosed is not determinative of a broker-dealer's obligation under the general antifraud provisions of the federal securities laws to disclose additional information to a customer at the time of the customer's investment decision.

a. *Disclosure requirement.* It shall be unlawful for any broker or dealer to effect for or with an account of a customer any transaction in, or to induce the purchase or sale by such customer of, any security (other than U.S. Savings Bonds or municipal securities) unless such broker or dealer, at or before completion of such transaction, gives or sends to such customer written notification disclosing:

1. The date and time of the transaction (or the fact that the time of the transaction will be furnished upon written request to such customer) and the identity, price, and number of shares or units (or principal amount) of such security purchased or sold by such customer; and
2. Whether the broker or dealer is acting as agent for such customer, as agent for some other person, as agent for both such customer and some other person, or as principal for its own account; and if the broker or dealer is acting as principal, whether it is a market maker in the security (other than by

1. *Customer* shall not include a broker or dealer;
2. *Completion of the transaction* shall have the meaning provided in Rule 15c1-1 under the Act;
3. *Time of the transaction* means the time of execution, to the extent feasible, of the customer's order;
4. *Debt security* as used in paragraphs (a)(3), (4), and (5) only, means any security, such as a bond, debenture, note, or any other similar instrument which evidences a liability of the issuer (including any such security that is convertible into stock or a similar security) and fractional or participation interests in one or more of any of the foregoing: *Provided, however*, That securities issued by an investment company registered under the Investment Company Act of 1940 shall not be included in this definition;
5. *Periodic plan* means any written authorization for a broker acting as agent to purchase or sell for a customer a specific security or securities (other than securities issued by an open end investment company or unit investment trust registered under the Investment Company Act of 1940), in specific amounts (calculated in security units or dollars), at specific time intervals and setting forth the commissions or charges to be paid by the customer in connection therewith (or the manner of calculating them); and
6. *Investment company plan* means any plan under which securities issued by an open-end investment company or unit investment trust registered under the Investment Company Act of 1940 are purchased by a customer (the payments being made directly to, or made payable to, the registered investment company, or the principal underwriter, custodian, trustee, or other designated agent of the registered investment company), or sold by a customer pursuant to:
 - i. An individual retirement or individual pension plan qualified under the Internal Revenue Code;
 - ii. A contractual or systematic agreement under which the customer purchases at the applicable public offering price, or redeems at the applicable redemption price, such securities in specified amounts (calculated in security units or dollars) at specified time intervals and setting forth the commissions or charges to be paid by such customer in connection therewith (or the manner of calculating them; or
 - iii. Any other arrangement involving a group of two or more customers and contemplating periodic purchases of such securities by each customer through a person designated by the group: *Provided*, That such arrangement requires the registered investment company or its agent-
 - A. To give or send to the designated person, at or before the completion of the transaction for the purchase of such securities, a written notification of the receipt of the total amount paid by the group;
 - B. To send to anyone in the group who was a customer in the prior quarter and on whose behalf payment has not been received in the current quarter a quarterly written statement reflecting that a payment was not received on his behalf; and
 - C. To advise each customer in the group if a payment is not received from the designated person on behalf of the group within 10 days of a date certain specified in the arrangement for delivery of that payment by the designated person and thereafter to send to each such customer the written notification described in paragraph (a) of this

section for the next three succeeding payments.

7. *Reported security* shall have the meaning provided in Rule 11Aa3-1 under the Act.
 8. *Effective transaction reporting plan* shall have the meaning provided in Rule 11Aa3-1 under the Act.
 9. *Payment for order flow* shall mean any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders by such broker or dealer to any broker or dealer, national securities exchange, registered securities association, or exchange member for execution, including but not limited to: research, clearance, custody, products or services; reciprocal agreements for the provision of order flow; adjustment of a broker or dealer's unfavorable trading errors; offers to participate as underwriter in public offerings; stock loans or shared interest accrued thereon; discounts, rebates, or any other reductions of or credits against any fee to, or expense or other financial obligation of, the broker or dealer routing a customer order that exceeds that fee, expense or financial obligation.
 10. *Asset-backed security* means a security that is primarily serviced by the cashflows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders.
- e. *Security futures products.* The provisions of paragraphs (a) and (b) of this section shall not apply to a broker or dealer registered pursuant to section 15(b)(1)(A) of the Act to the extent that it effects transactions for customers in security futures products in a futures account (as that term is defined in Rule 15c3-3(a)(15)) and a broker or dealer registered pursuant to section 15(b)(1) of the Act that is also a futures commission merchant registered pursuant to section 4f(a)(1) of the Commodity Exchange Act (7 U.S.C. 6f(a)(1)), to the extent that it effects transactions for customers in security futures products in a futures account (as that term is defined in Rule 15c3-3(a)(15)), *Provided that:*
1. The broker or dealer that effects any transaction for a customer in security futures products in a futures account gives or sends to the customer no later than the next business day after execution of any futures securities product transaction, written notification disclosing:
 - i. The date the transaction was executed, the identity of the single security or narrow-based security index underlying the contract for the security futures product, the number of contracts of such security futures product purchased or sold, the price, and the delivery month;
 - ii. The source and amount of any remuneration received or to be received by the broker or dealer in connection with the transaction, including, but not limited to, markups, commissions, costs, fees, and other charges incurred in connection with the transaction, provided, however, that if no remuneration is to be paid for an initiating transaction until the occurrence of the corresponding liquidating transaction, that the broker or dealer may disclose the amount of remuneration only on the confirmation for the liquidating transaction;
 - iii. The fact that information about the time of the execution of the transaction, the identity of the other party to the contract, and whether the broker or dealer is acting as agent for such customer, as agent for some other person, as agent for both such customer and some other person, or as principal for its own account, and if the broker or dealer is acting as principal, whether it is engaging in a block transaction or an exchange of security futures products for

physical securities, will be available upon written request of the customer; and

- iv. Whether payment for order flow is received by the broker or dealer for such transactions, the amount of this payment and the fact that the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request of the customer; provided, however, that brokers or dealers that do not receive payment for order flow have no disclosure obligation under this paragraph.

2. Transitional provision.

- i. Broker-dealers are not required to comply with paragraph (e)(1)(iii) of this section until June 1, 2003. *Provided* that, if, notwithstanding the absence of the disclosure required in that paragraph, the broker-dealer receives a written request from a customer for the information described in paragraph (e)(1)(iii) of this section, the broker-dealer must make the information available to the customer; and
 - ii. Broker-dealers are not required to comply with paragraph (e)(1)(iv) of this section until June 1, 2003.
- f. The Commission may exempt any broker or dealer from the requirements of paragraphs (a) and (b) of this section with regard to specific transactions of specific classes of transactions for which the broker or dealer will provide alternative procedures to effect the purposes of this section; any such exemption may be granted subject to compliance with such alternative procedures and upon such other stated terms and conditions as the Commission may impose.

Regulatory History

43 FR 47503, Oct. 16, 1978, as amended at 48 FR 17585, Apr. 25, 1983; 50 FR 37654, Sept. 17, 1985; 53 FR 40721, Oct. 18, 1988; 59 FR 55012, Nov. 2, 1994; 59 FR 59620, Nov. 17, 1994, as corrected at 59 FR 60555, Nov. 25, 1994; 60 FR 14366, Mar. 17, 1995; 67 FR 58302, 58312, Sept. 13, 2002.

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University of CINCINNATI
College of LAW

14003
Refd to these Pgs
by [redacted]
by Sr. atty gen.
offic. Chief Counsel
SEC

File Copy

OMB APPROVAL	
OMB Number:	3235-0307
Expires:	November 30, 2005
Estimated average burden hours per response	207.75

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
Pre-Effective Amendment No. _____
Post-Effective Amendment No. _____

RECEIVED
11/14/03

ITEM # 3 & 8 ATTACHED

Read with:

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
Amendment No. _____

Rule 10b-10 d-b ii ↓

(Check appropriate box or boxes.)

(Exact Name of Registrant as Specified in Charter)

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, including Area Code _____

(Name and Address of Agent for Service)

Approximate Date of Proposed Public Offering _____

It is proposed that this filing will become effective (check appropriate box)

- ☐ immediately upon filing pursuant to paragraph (b)
- ☐ on (date) pursuant to paragraph (b)
- ☐ 60 days after filing pursuant to paragraph (a)(1)
- ☐ on (date) pursuant to paragraph (a)(1)
- ☐ 75 days after filing pursuant to paragraph (a)(2)
- ☐ on (date) pursuant to paragraph (a)(2) of rule 485.

If appropriate, check the following box:

- ☐ this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

Omit from the facing sheet reference to the other Act if the Registration Statement or amendment is filed under only one of the Acts. Include the "Approximate Date of Proposed Public Offering" and "Title of Securities Being Registered" only where securities are being registered under the Securities Act of 1933.

Form N-1A is to be used by open-end management investment companies, except insurance company separate accounts and small business investment companies licensed under the United States Small Business Administration, to register under the Investment Company Act of 1940 and to offer their shares under the Securities Act of 1933. The Commission has designed Form N-1A to provide investors with information that will assist them in making a decision about investing in an investment company eligible to use the Form. The Commission also may use the information provided on Form N-1A in its regulatory, disclosure review, inspection, and policy making roles.

- (ii) Provide the returns required by paragraphs 2(c)(2)(iii)(B) and (C) of this Item for only one of those Classes. The Fund may select the Class for which it provides the returns required by paragraphs 2(c)(2)(iii)(B) and (C) of this Item, provided that the Fund:
- (A) Selects a Class that has been offered for use as an investment option for accounts other than those described in General Instruction C.3.(d)(iii)(A);
 - (B) Selects a Class described in paragraph (c)(ii)(A) of this instruction with 10 or more years of annual returns if other Classes described in paragraph (c)(ii)(A) of this instruction have fewer than 10 years of annual returns;
 - (C) Selects the Class described in paragraph (c)(ii)(A) of this instruction with the longest period of annual returns if the Classes described in paragraph (c)(ii)(A) of this instruction all have fewer than 10 years of returns; and
 - (D) If the Fund provides the returns required by paragraphs 2(c)(2)(iii)(B) and (C) of this Item for a Class that is different from the Class selected for the most immediately preceding period, explain in a footnote to the table the reasons for the selection of a different Class;
- (iii) The returns required by paragraphs 2(c)(2)(iii)(A), (B), and (C) of this Item for the Class described in paragraph (c)(ii) of this instruction should be adjacent and should not be interspersed with the returns of other Classes; and
- (iv) All returns shown should be identified by Class.
- (d) If a Multiple Class Fund offers a Class in the prospectus that converts into another Class after a stated period, compute average annual total returns in the table by using the returns of the other Class for the period after conversion.
4. **Change in Investment Adviser.** If the Fund has not had the same investment adviser during the last 10 calendar years, the Fund may begin the bar chart and the performance information in the table on the date that the current adviser began to provide advisory services to the Fund subject to the conditions in Instruction 11 of Item 5(b).

Item 3. Risk/Return Summary: Fee Table

Include the following information, in plain English under rule 421(d) under the Securities Act, after Item 2:

Fees and expenses of the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees (fees paid directly from your investment)

Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	_____ %
Maximum Deferred Sales Charge (Load) (as a percentage of _____)	_____ %
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other Distributions] (as a percentage of _____)	_____ %
Redemption Fee (as a percentage of amount redeemed, if applicable)	_____ %
Exchange Fee	_____ %
Maximum Account Fee	_____ %

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	_____ %
Distribution [and/or Service] (12b-1) Fees	_____ %
Other Expenses	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
Total Annual Fund Operating Expenses	_____ %

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
\$	\$	\$	\$

You would pay the following expenses if you did not redeem your shares:

1 year	3 years	5 years	10 years
\$	\$	\$	\$

The Example does not reflect sales charges (loads) on reinvested dividends [and other distributions]. If these sales charges (loads) were included, your costs would be higher.

Not of fund's usually no load on reinvestments
Instructions

1. General.

- (a) Round all dollar figures to the nearest dollar and all percentages to the nearest hundredth of one percent.
- (b) Include the narrative explanations in the order indicated. A Fund may modify the narrative explanations if the explanation contains comparable information to that shown.
- (c) Include the caption "Maximum Account Fees" only if the Fund charges these fees. A Fund may omit other captions if the Fund does not charge the fees or expenses covered by the captions.
- (d) (i) If the Fund is a Feeder Fund, reflect the aggregate expenses of the Feeder Fund and the Master Fund in a single fee table using the captions provided. In a footnote to the fee table, state that the table and Example reflect the expenses of both the Feeder and Master Funds.
- (ii) If the prospectus offers more than one Class of a Multiple Class Fund or more than one Feeder Fund that invests in the same Master Fund, provide a separate response for each Class or Feeder Fund.

2. Shareholder Fees.

- (a) (i) "Maximum Deferred Sales Charge (Load)" includes the maximum total deferred sales charge (load) payable upon redemption, in installments, or both, expressed as a percentage of the amount or amounts stated in response to Item 8(a), except that, for a sales charge (load) based on net asset value at the time of purchase, show the sales charge (load) as a percentage of the offering price at the time of purchase. A Fund may include in a footnote to the table, if applicable, a tabular presentation showing the amount of deferred sales charges (loads) over time or a narrative explanation of the sales charges (loads) (e.g., __% in the first year after purchase, declining to __% in the __ year and eliminated thereafter).
- (ii) If more than one type of sales charge (load) is imposed (e.g., a deferred sales charge (load) and a front-end sales charge (load)), the first caption in the table should read "Maximum Sales Charge (Load)" and show the maximum cumulative percentage. Show the percentage amounts and the terms of each sales charge (load) comprising that figure on separate lines below.
- (iii) If a sales charge (load) is imposed on shares purchased with reinvested capital gains distributions or returns of capital, include the bracketed words in the third caption.
- (b) "Redemption Fee" includes a fee charged for any redemption of the Fund's shares, but does not include a deferred sales charge (load) imposed upon redemption.

- (c) "Exchange Fee" includes the maximum fee charged for any exchange or transfer of interest from the Fund to another fund. The Fund may include in a footnote to the table, if applicable, a tabular presentation of the range of exchange fees or a narrative explanation of the fees.
- (d) "Maximum Account Fees." Disclose account fees that may be charged to a typical investor in the Fund; fees that apply to only a limited number of shareholders based on their particular circumstances need not be disclosed. Include a caption describing the maximum account fee (e.g., "Maximum Account Maintenance Fee" or "Maximum Cash Management Fee"). State the maximum annual account fee as either a fixed dollar amount or a percentage of assets. Include in a parenthetical to the caption the basis on which any percentage is calculated. If an account fee is charged only to accounts that do not meet a certain threshold (e.g., accounts under \$5,000), the Fund may include the threshold in a parenthetical to the caption or footnote to the table. The Fund may include an explanation of any non-recurring account fee in a parenthetical to the caption or in a footnote to the table.

3. *Annual Fund Operating Expenses.*

- (a) "Management Fees" include investment advisory fees (including any fees based on the Fund's performance), any other management fees payable to the investment adviser or its affiliates, and administrative fees payable to the investment adviser or its affiliates that are not included as "Other Expenses."
- (b) "Distribution [and/or Service] (12b-1) Fees" include all distribution or other expenses incurred during the most recent fiscal year under a plan adopted pursuant to rule 12b-1 [17 CFR 270.12b-1]. Under an appropriate caption or a subcaption of "Other Expenses," disclose the amount of any distribution or similar expenses deducted from the Fund's assets other than pursuant to a rule 12b-1 plan.
- (c) (i) "Other Expenses" include all expenses not otherwise disclosed in the table that are deducted from the Fund's assets or charged to all shareholder accounts. The amount of expenses deducted from the Fund's assets are the amounts shown as expenses in the Fund's statement of operations (including increases resulting from complying with paragraph 2(g) of rule 6-07 of Regulation S-X [17 CFR 210.6-07]).
- (ii) "Other Expenses" do not include extraordinary expenses as determined under generally accepted accounting principles (see Accounting Principles Board Opinion No. 30). If extraordinary expenses were incurred that materially affected the Fund's "Other Expenses," disclose in a footnote to the table what "Other Expenses" would have been had the extraordinary expenses been included.
- (iii) The Fund may subdivide this caption into no more than three subcaptions that identify the largest expense or expenses comprising "Other Expenses," but must include a total of all "Other Expenses." Alternatively, the Fund may include the components of "Other Expenses" in a parenthetical to the caption.
- (d) (i) Base the percentages of "Annual Fund Operating Expenses" on amounts incurred during the Fund's most recent fiscal year, but include in expenses amounts that would have been incurred absent expense reimbursement or fee waiver arrangements. If the Fund has changed its fiscal year and, as a result, the most recent fiscal year is less than three months, use the fiscal year prior to the most recent fiscal year as the basis for determining "Annual Fund Operating Expenses."
- (ii) If there have been any changes in "Annual Fund Operating Expenses" that would materially affect the information disclosed in the table:
 - (A) Restate the expense information using the current fees as if they had been in effect during the previous fiscal year, and
 - (B) In a footnote to the table, disclose that the expense information in the table has been restated to reflect current fees.
- (iii) A change in "Annual Fund Operating Expenses" means either an increase or a decrease in expenses that occurred during the most recent fiscal year or that is expected to occur during the current fiscal year. A change in "Annual Fund Operating Expenses" does not include a decrease in operating expenses as a percentage of assets due to economies of scale or breakpoints in a fee arrangement resulting from an increase in the Fund's assets.

- (e) The Fund may reflect actual operating expenses that include expense reimbursement or fee waiver arrangements in a footnote to the table. If the Fund provides this disclosure, also disclose the period for which the expense reimbursement or fee waiver arrangement is expected to continue, or whether it can be terminated at any time at the option of the Fund.

4. *Example.*

- (a) Assume that the percentage amounts listed under "Annual Fund Operating Expenses" remain the same in each year of the 1-, 3-, 5-, and 10-year periods, except that an adjustment may be made to reflect reduced annual expenses resulting from completion of the amortization of initial organization expenses.
- (b) For any breakpoint in any fee, assume that the amount of the Fund's assets remains constant as of the level at the end of the most recently completed fiscal year.
- (c) Assume reinvestment of all dividends and distributions.
- (d) Reflect recurring and non-recurring fees charged to all investors other than any exchange fees or any sales charges (loads) on shares purchased with reinvested dividends or other distributions. If sales charges (loads) are imposed on reinvested dividends or other distributions, include the narrative explanation following the Example and include the bracketed words when sales charges (loads) are charged on reinvested capital gains distributions or returns of capital. Reflect any shareholder account fees collected by more than one Fund by dividing the total amount of the fees collected during the most recent fiscal year for all Funds whose shareholders are subject to the fees by the total average net assets of the Funds. Add the resulting percentage to "Annual Fund Operating Expenses" and assume that it remains the same in each of the 1-, 3-, 5-, and 10-year periods. A Fund that charges account fees based on a minimum account requirement exceeding \$10,000 may adjust its account fees based on the amount of the fee in relation to the Fund's minimum account requirement.
- (e) Reflect any deferred sales charge (load) by assuming redemption of the entire account at the end of the year in which the sales charge (load) is due. In the case of a deferred sales charge (load) that is based on the Fund's net asset value at the time of payment, assume that the net asset value at the end of each year includes the 5% annual return for that and each preceding year.
- (f) Include the second 1-, 3-, 5-, and 10-year periods and related narrative explanation only if a sales charge (load) or other fee is charged upon redemption.
5. *New Funds.* For purposes of this Item, a "New Fund" is a Fund that does not include in Form N-1A financial statements reporting operating results or that includes financial statements for the Fund's initial fiscal year reporting operating results for a period of 6 months or less. The following Instructions apply to New Funds.
- (a) Base the percentages expressed in "Annual Fund Operating Expenses" on payments that will be made, but include in expenses, amounts that will be incurred without reduction for expense reimbursement or fee waiver arrangements, estimating amounts of "Other Expenses." Disclose in a footnote to the table that "Other Expenses" are based on estimated amounts for the current fiscal year.
- (b) The New Fund may reflect expense reimbursement or fee waiver arrangements that are expected to reduce any Fund operating expense or the estimate of "Other Expenses" (regardless of whether the arrangement has been guaranteed) in a footnote to the table. If the New Fund provides this disclosure, also disclose the period for which the expense reimbursement or fee waiver arrangement is expected to continue, or whether it can be terminated at any time at the option of the Fund.
- (c) Complete only the 1- and 3-year period portions of the Example and estimate any shareholder account fees collected

~~Item 4. Investment Objectives, Principal Investment Strategies, and Related Risks~~

- ~~(a) *Investment Objectives.* State the Fund's investment objectives and, if applicable, state that those objectives may be changed without shareholder approval.~~
- ~~(b) *Implementation of Investment Objectives.* Describe how the Fund intends to achieve its investment objectives. In the discussion:~~
- ~~--(1) Describe the Fund's principal investment strategies, including the particular type or types of securities in which the Fund principally invests or will invest.~~

(C) Any capital gains distributed by the Fund may be taxable.

- (3) If the Fund does not expect to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code [I.R.C. 851 *et seq.*], explain the tax consequences. If the Fund expects to pay an excise tax under the Internal Revenue Code [I.R.C. 4982] with respect to its distributions, explain the tax consequences.

(f) *Separate Disclosure Document.* A Fund may omit from the prospectus information about purchase and redemption procedures required by Items 7(b)-(d) and 8(a)(2) and provide it in a separate document if the Fund:

- (1) Incorporates the separate purchase and redemption document into the prospectus by reference and files the document with Part A of Form N-1A;
- (2) Includes a legend on the front cover page of the separate document explaining that the information disclosed is part of, and incorporated in, the prospectus;
- (3) Includes a statement on the outside back cover page of the prospectus that the purchase and sale information is provided in a separate document that is incorporated by reference into the prospectus; and
- (4) Delivers the separate purchase and redemption document with the prospectus.

Instruction. When delivering multiple prospectuses, all of which incorporate the same separate purchase and sale document by reference, a Fund may deliver a single separate document.

Item 8. Distribution Arrangements

(a) Sales Loads.

- (1) Describe any sales loads, including deferred sales loads, applied to purchases of the Fund's shares. Include in a table any front-end sales load (and each breakpoint in the sales load, if any) as a percentage of both the offering price and the net amount invested.

Instructions.

1. If the Fund's shares are sold subject to a front-end sales load, explain that the term "offering price" includes the front-end sales load.
2. Disclose, if applicable, that sales loads are imposed on shares, or amounts representing shares, that are purchased with reinvested dividends or other distributions.
3. Discuss, if applicable, how deferred sales loads are imposed and calculated, including:
 - (a) Whether the specified percentage of the sales load is based on the offering price, or the lesser of the offering price or net asset value at the time the sales load is paid.
 - (b) The amount of the sales load as a percentage of both the offering price and the net amount invested.
 - (c) A description of how the sales load is calculated (e.g., in the case of a partial redemption, whether or not the sales load is calculated as if shares or amounts representing shares not subject to a sales load are redeemed first, and other shares or amounts representing shares are then redeemed in the order purchased).
 - (d) If applicable, the method of paying an installment sales load (e.g., by withholding of dividend payments, involuntary redemptions, or separate billing of a shareholder's account).
- (2) Unless disclosed in response to paragraph (a)(1), in the SAI, or in a separate disclosure document under Item 7(f), describe any other arrangements that result in breakpoints in, or elimination of, sales loads (e.g., letters of intent, accumulation plans, dividend reinvestment plans, withdrawal plans, exchange privileges, employee benefit plans, and redemption reinvestment plans). Identify each class of individuals or transactions to which the arrangements apply and state each different breakpoint as a percentage of both the offering price and the amount invested.

(b) **Rule 12b-1 Fees.** If the Fund has adopted a plan under rule 12b-1, state the amount of the distribution fee payable under the plan and provide disclosure to the following effect:

- (1) The Fund has adopted a plan under rule 12b-1 that allows the Fund to pay distribution fees for the sale and distribution of its shares; and
- (2) Because these fees are paid out of the Fund's assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Instructions. If the Fund pays service fees under its rule 12b-1 plan, modify this disclosure to reflect the payment of these fees (e.g., by indicating that the Fund pays distribution and other fees for the sale of its shares and the fees are provided to shareholders). For purposes of this paragraph, service fees have the same meaning given that term under rule 12b-1(b)(9) of the NASD Conduct Rules [NASD Manual (CCH) 4622].

(c) **Multiple Class and Master-Feeder Funds.**

- (1) Describe the main features of the structure of the Multiple Class Fund or Master-Feeder Fund.
- (2) If more than one Class of a Multiple Class Fund is offered in the prospectus, provide the information required by paragraphs (a) and (b) for each of those Classes.
- (3) If a Multiple Class Fund offers in the prospectus shares that provide for mandatory automatic conversions or exchanges from one Class to another Class, provide the information required by paragraphs (a) and (b) for both the shares offered and the Class into which the shares may be converted or exchanged.
- (4) If a Feeder Fund has the ability to change the Master Fund in which it invests, describe briefly the circumstances under which the Feeder Fund can do so.

Instruction. A Feeder Fund that does not have the authority to change its Master Fund need not disclose the possibility and consequences of its no longer investing in the Master Fund.

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(b) *Rule 12b-1 Fees.* If the Fund has adopted a plan under rule 12b-1, state the amount of the distribution fee payable under the plan and provide disclosure to the following effect:

- (1) The Fund has adopted a plan under rule 12b-1 that allows the Fund to pay distribution fees for the sale and distribution of its shares; and
- (2) Because these fees are paid out of the Fund's assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Instructions. If the Fund pays service fees under its rule 12b-1 plan, modify this disclosure to reflect the payment of these fees (e.g., by indicating that the Fund pays distribution and other fees for the sale of its shares and for services provided to shareholders). For purposes of this paragraph, service fees have the same meaning given that term under rule 2830(b)(9) of the NASD Conduct Rules [NASD Manual (CCH) 4622].

(c) *Multiple Class and Master-Feeder Funds.*

- (1) Describe the main features of the structure of the Multiple Class Fund or Master-Feeder Fund.
- (2) If more than one Class of a Multiple Class Fund is offered in the prospectus, provide the information required by paragraphs (a) and (b) for each of those Classes.
- (3) If a Multiple Class Fund offers in the prospectus shares that provide for mandatory or automatic conversions or exchanges from one Class to another Class, provide the information required by paragraphs (a) and (b) for both the shares offered and the Class into which the shares may be converted or exchanged.
- (4) If a Feeder Fund has the ability to change the Master Fund in which it invests, describe briefly the circumstances under which the Feeder Fund can do so.

Instruction. A Feeder Fund that does not have the authority to change its Master Fund need not disclose the possibility and consequences of its no longer investing in the Master Fund.

A Registrant is required to disclose the information specified by Form N-1A, and the Commission will make this information public. A Registrant is not required to respond to the collection of information contained in Form N-1A unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549-6009. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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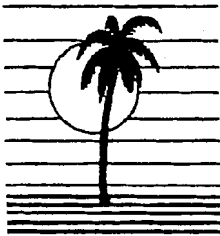
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LIABILITY
REALITY
you have the
same thing in
a different
CONTEXT

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Deegan, TC, Dec. 42,073(M), 49 TCM 1421, TC
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• DC-Pa—35-1 USTC 19360, 12 FSupp 286
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19118

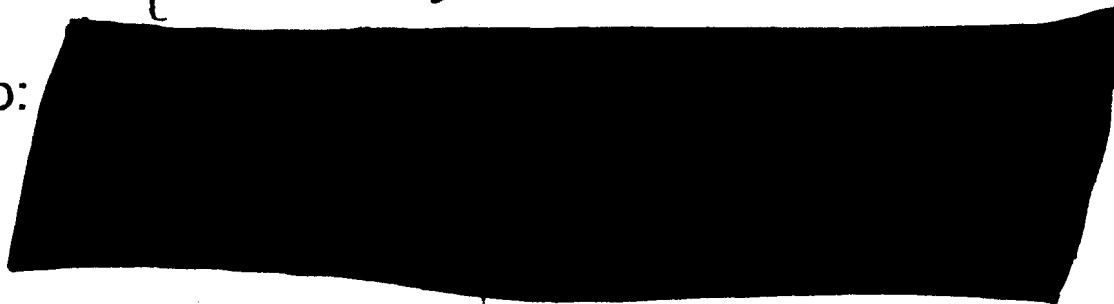


THE
SAVAGE
GROUP

Fax Cover

Date: Nov. 18.03

To:



"SEC PROB."

Remarks:

The problem appears to be in the interpretation of a "non-economic" formula error that has apparently never been addressed. A multi million \$ sweetheart deal always to the benefit of the Fard, and adverse to the Investors.

Page 1 of: 3

(I'll send you soon.)

F. Walter Savage

5060 Orcutt Avenue San Diego, California 92120 FAX 619-229-9258 Voice 619-582-5850

Conferences and Sympa for the SATC

SAVAGE 10-2-02
GROUP 11-18-03

F. Walter Sav,
Chief Executive Officer
Formerly IRS 1240-188
B8

5060 Orca Avenue San Diego CA 92120 619-592-5850 FAX: 619-592-5850
229.9

8526.67

Not To Be Marked

LEONARD PERRY

TO WELLINGTON

Top Sale Price	
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10/15/2010 10:55 AM

1843

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11/20/20

10 Jan

94.5%

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Principal A

Loan 1

Food on a person

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No. 1000

Q	BOARD BUILDING	10/27/05	10/27/05
	INTO COST: THE SM	10/27/05	10/27/05

54 PRICE

(S. Post 7657-7681408) 2852

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SUS V INAV 26
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 ADP CH 200 1

$$\begin{array}{r} 88 \div 7 = 12 \text{ R } 4 \\ 268 \div 408 = 0 \text{ R } 268 \\ 268 \div 28 = 9 \text{ R } 20 \\ 80 \div 5 = 16 \text{ R } 0 \end{array}$$

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7-13	LAB DOWN
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Red Pine

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Fax Cover

Date: 11-17-03

To:

Remarks: "The MSOW Confor"
I would take the stand that
the only item valid is the cont.
of payment. - The balance leaves
the investor in the dark.
a work will follow.

Page 1 of: 3

Respect
Walt.

F. Walter Savage

5060 Orcutt Avenue San Diego, California 92120 FAX 619-229-9258 Voice 619-582-5850

Pg 2
 Fax 11-17-03

RECEIVED
 11-18-03

COPY
 Page 2
 11-18-03

RECEIVED
 11/14/03

AShs

You Bought

Trade Date 10/13/03 for Settlement on 10/16/03

Quantity	Price	Settlement Amount
268.408 X	26.88 (NAV) X	

Description: 269,281
 AMERICAN WA MUTUAL A

26.88
 (NAV)

CONFIRM NBR
 UNSOLICITED TRADE
 QUANTITY INCLUDES FRACTIONAL SHARES

Principal X \$7,651
 Net Amount V \$7,651

Princ 7238.71
 Load 416.22
 = 7655.00

THIS ECONOMICALLY VIABLE (TO THE MARKET)
 PRESENTATION GIVES FULL TRANSPARENCY
 OF THE TRANSACTION.
 "NO COVER UP"

* Load 5.75% of Principal invested
 (no other fees or charges)

Note:
 ① NAV 10-13-03 = 26.88 Fund's Return

(Avg. St. Cost. 28)

Investments and services are offered through Morgan Stanley DW Inc., member SIPC.

Symbol AWSHX

AWSHX

[Signature]

COPY

RECEIVED

Ashs

You Bought

Trade Date 10/13/03 for Settlement on 10/16/03

Quantity	268.408	X	Price	28.52	①	X	Settlement Amount
Description: AMERICAN WA MUTUAL A CONFIRM NBR UNSOLICITED TRADE QUANTITY INCLUDES FRACTIONAL SHARES							Principal \$7,655.00 Net Amount <u>W</u> \$7,655.00
Note: ① MAY 10-13-03 = 26.89 Fund & Perks.							Symbol AWSHX

AWSHX

4X

is important to remember that Class B, Class C and Class D contingent sales charges and asset-based sales charges have the same purpose as the front-end sales charge on sales of Class A shares: to compensate the Distributor for concessions and expenses it pays to dealers and financial institutions for selling shares. The Distributor may pay additional compensation from its own resources to securities dealers or financial institutions based upon the value of shares of the Fund owned by the dealer or financial institution for its own account or for its customers.

SPECIAL SALES CHARGE ARRANGEMENTS AND WAIVERS. Appended to the Statement of Additional Information details the conditions for the waiver of sales charges that apply in certain cases and the special sales charge rates that apply to purchases of shares of the Fund by certain groups, or under specified retirement plan arrangements or in other special types of transactions. To receive a waiver or special sales charge rate, you must advise the Distributor when purchasing shares or the Transfer Agent when redeeming shares that a special condition applies.

HOW CAN YOU BUY CLASS A SHARES? Class A shares are sold at their offering price, which is normally net asset value plus an initial sales charge. However, in some cases, described below, purchases are not subject to an initial sales charge, and the offering price will be the net asset value. In other cases, reduced sales charges may be available, as described below or in the Statement of Additional Information. Out of the amount you invest, the Fund receives the net asset value to invest for your account.

The sales charge varies depending on the amount of your purchase. A portion of the sales charge may be retained by the Distributor or allocated to your dealer as a concession. The Distributor reserves the right to reallocate the entire concession to dealers. The current sales charge rates and concessions paid to dealers and brokers are as follows:

Amount of Purchase	Front-End Sales Charge As a Percentage of Offering Price	Front-End Sales Charge As a Percentage of Net Amount Invested	Concession As a Percentage of Offering Price
Less than \$25,000	5.75%	6.10%	4.75%
\$25,000 or more but less than \$50,000	5.50%	5.82%	4.75%
\$50,000 or more but less than \$100,000	4.75%	4.99%	4.00%
\$100,000 or more but less than \$250,000	3.75%	3.90%	3.00%
\$250,000 or more but less than \$500,000	2.50%	2.56%	2.00%
\$500,000 or more but less than \$1 million	2.00%	2.04%	1.60%

Can You Reduce Class A Sales Charges? You may be eligible to buy Class A shares at reduced sales charge rates under the Fund's "Right of Accumulation" or a Letter of Intent, as described in "Reduced Sales Charges" in the Statement of Additional Information.

were permitted to purchase such shares prior to their retirement accounts"). Retirement plans are not permitted to make initial purchases of Class A shares subject to a contingent deferred sales charge. The Distributor pays dealers of record concessions in an amount equal to 1.0% of purchases of \$1 million or more other than by grandfathered retirement accounts. For grandfathered retirement accounts, the concession is 0.75% of the first \$2.5 million of purchases plus 0.25% of purchases in excess of \$2.5 million. In either case, the concession will not be paid on purchases of shares by exchange or that were previously subject to a front-end sales charge and dealer concession.

If you redeem any of those shares within an 18-month "holding period" measured from the beginning of the calendar month of their purchase, a contingent deferred sales charge (called the "Class A contingent deferred sales charge") may be deducted from the redemption proceeds. That sales charge will be equal to 1.0% of the lesser of:

- the aggregate net asset value of the redeemed shares at the time of redemption (excluding shares purchased by reinvestment of dividends or capital gain distributions) or
- the original net asset value of the redeemed shares.

The Class A contingent deferred sales charge will not exceed the aggregate amount of the concessions the Distributor paid to your dealer on all purchases of Class A shares of all Oppenheimer funds you made that were subject to the Class A contingent deferred sales charge.

Purchases by Certain Retirement Plans. There is no initial sales charge on purchases of Class A shares of any one or more Oppenheimer funds by retirement plans that have \$10 million or more in plan assets and that have entered into a special agreement with the Distributor and by retirement plans which are part of a retirement plan product or platform offered by certain banks, broker-dealers, financial advisors, insurance companies or recordkeepers which have entered into a special agreement with the Distributor. The Distributor currently pays dealers of record concessions in an amount equal to 0.25% of the purchase price of Class A shares by those retirement plans from its own resources at the time of sale, subject to certain exceptions as described in the Statement of Additional Information. There is no contingent deferred sales charge upon the redemption of such shares.

HOW CAN YOU BUY CLASS B SHARES? Class B shares are sold at net asset value per share without an initial sales charge. However, if Class B shares are redeemed within six years from the beginning of the calendar month of their purchase, a contingent deferred sales charge will be deducted from the redemption proceeds. The Class B contingent deferred sales charge is paid to compensate the Distributor for its expenses of providing distribution-related services to the Fund in connection with the sale of Class B shares.

① Broker said - Lucky to get down on NAV 1.1 down on total sale. 10/19/03



Fax Cover

Date: Nov 19 '03

To: [REDACTED]

Fax# [REDACTED]

Remarks:

THE ORIG CONFIRM ¹¹ ²¹ FULLY
TRANSPARENT WOULD HAVE REFLECTED
INFO. AS ATTACHED
CALL RE ANY QUESTIONS.

Page 1 of: 2 ✓

Regards
Walt

F. Walter Savage

5060 Orcutt Avenue San Diego, California 92120 FAX 619-229-9258 Voice 619-582-5850

08 ✓
704 11-17-03

COPY

704 11-19-03
P 2072



ASHs

You Bought

Trade Date 10/13/03 for Settlement on 10/16/03

Quantity	268.408	Price	26.82	①	X	Settlement Amount	
Description:	268408 ← 2688 WORK CAP					Principal	57,655.00
AMERICAN WA MUTUAL A						Net Amount Cost	\$7,655.00
CONFIRM NBR						Price	7214.8
UNSOLICITED TRADE						Load	* 440.1
QUANTITY INCLUDES FRACTIONAL SHARES							7655.0
<p>FULL TRANSPARENCY INDOOR SHOWN</p> <p>PRINCIPAL (WORKING CAP) UNDER</p> <p>STATED & LOAD OVER STATED</p> <p>INVESTORS SHORTED (MULTI MILLION)</p> <p>FUNDOS: GRIN</p> <p>ALL RESULTING FROM LOAD COMPUTED</p> <p>NOTE: ON TOTAL SALE COST</p> <p>① MAY 10-13-03 = 26.82 Fund & Broker</p>						Avg Cost	285
						575 Long Working	416.2
						575 X 416.2	(239)
							440.70
Investments and services are offered through Morgan Stanley DW Inc., member SIPC.						Symbol	AWSHX

AWSHX



Fax Cover

Date: 11-20-'03

To:

Fax

Remarks:

*General interest. as
viewed thru print media
you saw GreenSpan Community.*

Page 1 of: 3

FW
F. Walter Savage

5060 Orcutt Avenue San Diego, California 92120 FAX 619-229-9258 Voice 619-582-5850

86.67 **DOW JONES**
Closed at 9,624.16

27.86 **NASDAQ**
Closed at 1,881.75

9.48 **S&P 500**
Closed at 1,034.15

4.53 **RUSSELL 2000**
Closed at 521.68

MUTUAL FUNDS

STOCK MARKET

WED
November

Mutual funds overhaul urged

dependent directors
by SEC chairman

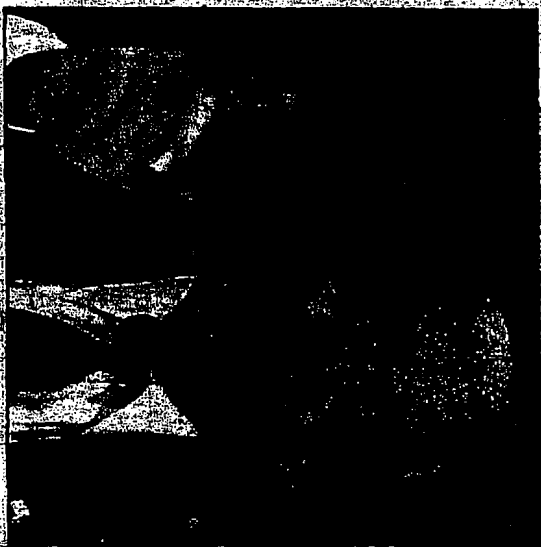
Labaton
MEX NEWS SERVICE

TON — The chairman of the
id Exchange Commission told
esterday that he supported a
for overhaul of the way mutual
n themselves, forcing their
d three-quarters of their direc-
pendent.

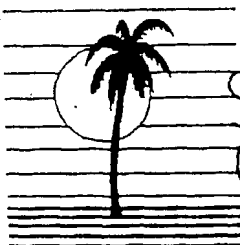
Donaldson, the chairman, outlined propos-
als beyond those he unveiled Friday.
The proposals would require more inde-
pendent directors — 45 percent of the
board, up from the current 30 percent. The
proposals would require directors of funds
to perform annual evaluations of the funds'
effectiveness and would permit them to
hire their own staff so they would not rely
too heavily on the funds' investment advi-
sers. They also would require funds to dis-
close more details about their fees.

Donaldson's plan did little to discourage
some lawmakers from pushing legislation
that would go beyond the steps being con-
sidered by the commission.
Rep. Richard Baker, R-Ia., who heads a
subcommittee of the House Financial Ser-
vices Committee, said he expected that the
House would soon take up a measure he
has sponsored that would tighten regula-
tion.

Donaldson said that in two weeks the
commission would vote on proposals to
end after-hours trading in mutual funds
and to require greater disclosure of fund
policies on quick market-timed trades.
"We all — regulators, legislators, invest-
ment advisers, mutual fund managers, bro-
ker-dealers, the financial press and invest-
ors — have spent much time lately
wondering how the current abuses could
have happened," Donaldson said in testi-
mony before the Senate Committee on
See Mutual, C5



"Clearly, we can improve the effectiveness of the
about doing things," SEC Chairman William Donalds
Congress yesterday. Alex Wong / Getty Images



THE
SAVAGE
GROUP

F. Walter Savage
Financial Transaction Analyst / Consultant
Formerly IRS 1948-1968

5060 Orcutt Avenue San Diego CA 92120 619-582-5850 FAX 619-229-9258

Fax Cover

Date: 1-1-04

To: [REDACTED]

DISCLOSURE RULINGS

FAX [REDACTED]

Remarks:

[REDACTED] here are the Charts
we discussed in \$1,000.00 setting

#1 Comparative Analysis

#2 Revised structure. May be of use
in the transaction of Industries
out of their misallocation of funds

✓ ✓ Some legal notes copied for the

Page 1 of: 7

Please Make Copies for [REDACTED]

F. Walter Savage

5060 Orcutt Avenue San Diego, California 92120 FAX 619-229-9258 Voice 619-582-5850

Regal
Co.

2037
1-1-04
12-1-03

THE 1-1-04 TO

5.75%

CHART #1012
PURCHASE OF TYPICAL 1000⁰⁰ FRONT LOAD @ 5.75%

SAVAGE GROUP



F. Walter Savage
Financial Transaction Analyst / Consultant
Formerly IRS 10-00-1988

5000 Orcutt Avenue San Diego CA 92120 619-582-3850 FAX 619-229-9250

1	2	3	4	5
NAV 10-13-03 \$ 26.88	WRONG FORMULA	CORRECTED ALLOCATION		
	THE PROBLEMS HERE	ANSWER HERE		
	%	%		
PRINC 5.75% TO 25K LOAD	947.25 575	947.50 575	100 575	947.25 575
100%	100%	100%	100%	100%
1. M'S ALLOCATION PER 1000	3.1265	3.1265	3.1265	3.1265
SUR'S (BLOCK CAP)	350632	350632	350632	350632
AVG SH. COST (28.5199)	28.52	28.52	28.52	28.52
NAV 10-13-03 (MARKET)	26.88	26.88	26.88	26.88
PER SHARE NO ALLOCATION	1.64	1.64	1.64	1.64
	X	X	X	X
INVESTORS SHS	SHORTED - AVG SH COST OVERSTATED	SHORTED - AVG SH COST OVERSTATED	SHORTED - AVG SH COST OVERSTATED	SHORTED - AVG SH COST OVERSTATED

11-1-03

4087
1-1-04

Fraud: "An intentional perversion of the truth for the purpose of inducing another in reliance upon it to part with some valuable thing belonging to him or to surrender a legal right; a false representation of a matter of fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which deceives and is intended to deceive another so that he shall act upon it to his legal injury."

Black's Law Dictionary

807
10-26

"COLLUSION"

507
1-1-04

[¶8] In Higgins, 2001 ND 149, ¶ 22, 632 N.W.2d 463, we quoted Black's Law Dictionary 264 (6th ed. 1990) in defining collusion as "[a]n agreement between two or more persons to defraud a person of his rights by the forms of law, or to obtain an object forbidden by law." Collusion has also been defined as "a secret arrangement between two or more persons, whose interests are apparently conflicting, to make use of the forms and proceedings of law in order to defraud a third person, or to obtain that which justice would not give them." Span, Inc. v. Associated Int'l Ins. Co., 277 Cal. Rptr. 828, 839-40 (Cal Ct. App. 1991) (citation omitted).

[¶9] Collusion has been described as "the equivalent of conspiracy." Runyan v. Farmers' Bank, 230 N.W. 418, 421 (Iowa 1930). Proof of an actual agreement is not necessary, and it is sufficient to show that the parties, with knowledge that concerted action was contemplated and invited, gave their adherence to and participated in the collusive scheme. See First City Nat'l Bank v. Brazosport Towing Co., 585 F. Supp. 115, 117 (S.D. Tex. 1984). Compare State v. Gonzalez, 2000 ND 32, ¶ 17, 606 N.W.2d 873 (stating an agreement to commit a conspiracy need not be explicit but may be implicit in the fact of collaboration or existence of other circumstances). Collusion does not require fraudulent conduct. See Dynamic Marine Consortium, S.A. v. LATINI, MV, 179 F.3d 278, 280 (5th Cir. 1999); Estate of Farish v. United States, 233 F. Supp. 220, 228 (S.D. Tex. 1964).

[¶10] What constitutes collusion will differ with each fact situation. Span, Inc., 277 Cal. Rptr. at 840. The burden of proof on the issue of collusion rests with the party asserting that collusion has occurred. Estate of Farish, 233 F. Supp. at 228. Whether collusion has occurred is a finding of fact which this Court will not reverse on appeal unless it is clearly erroneous. Black v. Peterson, 442 N.W.2d 426, 430 (N.D. 1989). A finding of fact is clearly erroneous if it is induced by an erroneous view of the law, if there is no evidence to support it, or if, after reviewing all the evidence, we are left with a definite and firm conviction a mistake has been made. Moen v. Thomas, 2001 ND 95, ¶ 19, 627 N.W.2d 146. Because a state of mind is rarely proven directly and must usually be inferred from conduct and circumstances, evidentiary conflicts and factual questions about state of mind are properly for the trier of fact to decide and are not appropriate for appellate second guessing. See State v. Franck, 499 N.W.2d 108, 111 (N.D. 1993).

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Overthrow of government. See Sedition.

Seditions conspiracy. See Sedition.

Conspiracy in restraint of trade. Term which describes all forms of illegal agreements such as boycotts, price fixing, etc., which have as their object interference with free flow of commerce and trade. See Antitrust acts; Clayton Act; Sherman Antitrust Act.

Conspirators. Persons partaking in conspiracy. See Conspiracy.

Conspire. To engage in conspiracy. Term carries with it the idea of agreement, concurrence and combination, and hence is inapplicable to a single person or thing, and one cannot agree or conspire with another who does not agree or conspire with him. See Conspiracy.

SOURCE: Black's Law Dictionary, Sixth Edition

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Legal definition of Conspiracy

Conspiracy. A combination or confederacy between two or more persons formed for the purpose of committing, by their joint efforts, some unlawful or criminal act, or some act which is lawful in itself, but becomes unlawful when done by the concerted action of the conspirators, or for the purpose of using criminal or unlawful means to the commission of an act not in itself unlawful.

A person is guilty of conspiracy with another person or persons to commit a crime if with the purpose of promoting or facilitating its commission he: (a) agrees with such other person or persons that they or one or more of them will engage in conduct which constitutes such crime or an attempt or solicitation to commit such crime; or (b) agrees to aid such other person or persons in the planning or commission of such crime or of an attempt or solicitation to commit such crime. Model Penal Code, § 5.03.

Crime of conspiracy is distinct from the crime contemplated by the conspiracy (target crime), *Corn. v. Dyer*, 243 Mass. 472, 509, 138 N.E. 296, 314, cert. denied, 262 U.S. 751, 43 S.Ct. 700, 67 L.Ed. 1214. Some jurisdictions do not require an overt act as an element of the crime, e.g. *Corn. v. Harris*, 232 Mass. 588, 122 N.E. 749.

A conspiracy may be a continuing one; actors may drop out, and others drop in; the details of operation may change from time to time; the members need not know each other or the part played by others; a member need not know all the details of the plan or the operations; he must, however, know the purpose of the conspiracy and agree to become a party to a plan to effectuate that purpose. *Craig v. U. S.*, C.C.A.Cal., 81 F.2d 816, 822.

There are a number of federal statutes prohibiting specific types of conspiracy. See, eg., 18 U.S.C.A. § 371. See also Chain conspiracy; Co-conspirator's rule; Combination in restraint of trade; Confederacy; Seditious conspiracy; Wharton Rule.

Chain conspiracy. Such conspiracy is characterized by different activities carried on with same subject of conspiracy in chain-like manner that each conspirator in chain-like manner performs a separate function which serves in the accomplishment of the overall conspiracy. *Bolden v. State*, 44 Md.App. 643, 410 A.2d 1085, 1091.

Civil conspiracy. The essence of a "civil conspiracy" is a concert or combination to defraud or cause other injury to person or property, which results in damage to the person or property of plaintiff. See also Civil conspiracy.

JWS

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American Funds

PO Box 25067
Santa Ana CA 92799-5067

Year-End Statement

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January 1 - December 31, 2002

DEC 04 2003
SECURITIES & EXCHANGE COMMISSION
OFFICE OF INVESTOR
EDUCATION & ASSISTANCE

THIRTEEN MILLIONS
OF THESE ARE
DIFF LOAD RMB

SAMPLE #
Load over 625 - Working Capital
She start 625 - Working Capital
+ all Acct'g history ordered at

Best wishes for the New Year

This statement shows all account activity for 2002, so please keep it for your tax records. Let our website help make this tax season a little easier. Go to the Tax Center at americanfunds.com for your tax-related needs: seven years of account history, duplicate statements and tax forms, average cost information, our interactive Tax Guide, and more.

For more account information

- Call your financial adviser
- Automated information and services
Website — americanfunds.com
American FundsLine® — 800/325-3590
- Personal assistance — 8 a.m. - 8 p.m. Eastern time M-F
Shareholder Services — 800/421-0180

Summary

	Fund number	Account number	Type of fund	Shares held as of 12/31	Share price as of 12/31	Account value as of 12/31
Fundamental Investors-A	10	[REDACTED]	growth & income	622.548	\$22.23	\$13,839.1

Year-to-date dividends and capital gains

	Fund number	Account number	Dividends	Short-term capital gains	Long-term capital gain
Fundamental Investors-A	10	[REDACTED]	\$297.40	\$0.00	\$0.00

American Funds is required to provide the value of your IRA to the Internal Revenue Service.

Transactions

Fundamental Investors - Class A

Fund number 10

Account number 63142769

Dividends and capital gains reinvested

Trade date	Description	Dollar amount	Share price	Shares this transaction	Share balance
01/01/02	Beginning share balance				542.081
02/22/02	Income Dividend 0.10	\$54.21	\$26.38	2.055	544.13
04/11/02	2001 Contribution	\$2,000.00	\$29.17	68.564	612.69
05/15/02	Income Dividend 0.10	\$61.27	\$27.62	2.218	614.91
08/16/02	Income Dividend 0.10	\$61.49	\$23.31	2.638	617.55
12/13/02	Income Dividend 0.10	\$61.76	\$22.14	2.790	620.34
12/13/02	Special Dividend 0.095	\$58.67	\$22.14	2.650	622.99
12/20/02	2003 Annual Fee	-\$10.00	\$22.38	-0.447	622.54
12/31/02	Ending share balance				622.54

10-30-03

18855
1155 - 625
10000

FOR RATES OF INTEREST 10002.15%, ROUNDED UP 10744% COST

100 SHARES Com Corporation's Dividends from the SEC

FOR AN INTERPRETATION OF SEC

Not To The Market

Feature

TOTAL SALE PRICE

7655.00 DIVIDENDS COST SEC

Price of 10 Good

(%) 94.25% 575%

PRINCIPAL ADJ.

Long Allocated

Long on Good 61%

Good 44%

7655.00

① LOAD OVERSTATED NOT SHOWING LUMPED WITH 10088 INTO COST THIS PRICE INFLATED BY ADJ.

② SH. PRICE (SL Cost 7655 + 268,408) 2852

(SL Price 721434 - 368,408) 353,026

ADJUST - CUB 65.11

ADJ. 65.11